

# Wisconsin Coalition of Annuitants

Minutes of Meeting September 16, 2009

The meeting was held at the Wisconsin Professional Police Association Building, 304 Coyier Lane Madison and was called to order by Chair Jim Palmer at 9:34am.

**MEMBERS & ALTERNATES PRESENT:** O. Berge, WARSDA; B. Fendel, AFSCME; E. Frank, DNR; J. Grosklaus, West Allis; C. Howard, WEAC-R; A. Hubbard, WSAA; O. Jones, DOT; A. Knop, WEAC-R, D. Kratz, CORR; A. Lee, WSAA; J. Maydak, West Allis; J. Miller, DNR; J. Munro, WARSDA; J. Palmer, WPPA; D. Rohweder, ESP, W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UWMRA; T. Speranza, RPPFW; J. Stoddard, CORR; A. Wallace, UWMRA; J. Zwadzich, SWIB.

**GUESTS:** S. Drew, A. Fendel, S. King, H. Stein.

**EXCUSED:** J. Egan, J. Elmer, E. Kehl, D. Klimpel.

**NEW DIRECTOR:** Alan Lee was introduced and will represent WI State Attorneys Association, replacing Alan Hubbard who has been a Director the past 18 years. A welcome and appreciation were extended to the two Al's (Allan & Alan).

**MINUTES** of the July meeting were approved as mailed.

**CORRESPONDENCE:** None

**GUEST: Sandy Drew, Legislative and Beneficiary Liaison, SWIB**

Performance: As of 8/31/09 - CORE 14.2%, VARIABLE 21.5% both exceeding their benchmarks. A big turn around from the 1<sup>st</sup> quarter with the low on 3/9/09. As of 8/31, equities, fixed income and private equity out performed benchmarks. Internal managers' large cap, small cap, international equities, global and government/credit fixed income also out performed. Real estate is improving but continues to under perform. SWIB rank with peers is in the top quartile.

LAB Audit on state purchasing cards mentioned SWIB trips to Europe (\$48,226) and purchasing 25 tee shirts (\$335). The international travel is increasing due to more investments, internal management and more staff. Analysts often travel to several cities on the same trip. Coach class is required unless the flight exceeds 14 hours. Under unusual circumstances (having a meeting shortly after arrival) business class is authorized. Due diligence is required. LAB reviews SWIB travel every six months. The tee shirts, "Take Your Child to Work Day", were to be reimbursed by parents but were not followed through.

Incentive Compensation plan was revised by the Board because there was nothing in the plan to deal with a situation such as 2008 returns. The amount for incentive compensation available in 2008 (\$1.7M) was greatly reduced from 2007 (\$2.8M) because of the negative returns. The change in the plan recognizes the staff's positive financial contributions in 2008 returns and assures maintaining highly qualified professional staff. The 2008 incentive compensation funds will be placed in trust and paid when SWIB has a positive year. The recipients must be on staff or retired to receive the delayed payout. This change involves around 30 staff and they generally are accepting of the plan. The top three at SWIB have declined awards. The plan has 90% performance and 10% on subjective factors, and for 2008 the Board has removed the 10%. (See email sent 9/11/09.)

The WCOA had discussion and concern for the top three declining an award. They worked very hard in 2008 and deserve an award. The WCOA thanks them for their efforts and difficult work during down market times.

The SWIB Board retreat will be in October and normally asset allocation would be the topic. However, asset allocation review started in April with a consultant roundtable, input from the ETF & WRS actuary on 50 year projections, and further analytical input from consultants. A concern is how to reduce risk in a year such as 2008. The retreat will provide a two year strategic planning and discussion with consultants and financial professionals. Allocation will be approved in January or February. The Board has contracted with a Hedge Fund consultant.

DOA released 3.5 positions, 2.5 new and 1 a replacement in corporate governance. There are 3.5 positions still frozen.

SWIB Board nominations have been confirmed by the Senate. Thomas Boldt and William Levit have been reappointed and a new appointment by the Governor is Bruce Colburn of Milwaukee. Mr. Colburn is the director of Central States Property Services Division for the Services Employees International Union (SEIU). He has served as a trustee and fiduciary for several trust funds, including the Milwaukee County Transit System pension funds, and was previously in a limited partnership investing in real estate properties. The WCOA stated that several large organizations of the WRS have indicated opposition to Mr. Coburn's appointment and contacted the Governor. However, we do not believe there was any mention of opposition at the confirmation hearings.

**Sari King, Administrator, Division of Retirement Services, ETF**

Trust Fund News sent the end of August had an error by the printer on the mailing label. Around 35,000 in Southeast WI had a new last name with the address correct. There is no concern for any problems although about 300 letters were received by ETF. Trust Fund News will continue to be printed three times a year; however, It's Your Benefit will be printed once a year.

Domestic partnership legislation requires many document changes and almost all forms need to be revised including videos. There will be a disclaimer that when spouse is mentioned it includes domestic partner. Domestic partnership includes same sex as well as opposite sex and there may be some benefits for retirees who have a domestic partnership, example was life insurance. The state register and ETF register are two separate registrations. Watch the ETF website for additional information.

The following was written by Jim Miller for DNR retirees. *It's Your Choice* booklets – yes, booklets, plural – will be coming out by the end of September. Look at them carefully and remember which one to keep for future years because one will contain information that won't be published each year. Downloadable copies will be available at the ETF web site before they are mailed out. You can also download a map of what service is available in what county at the ETF site. Also, the call center will be staying open for an additional period of time on Mondays and Tuesdays during October to deal with questions about the It's Your Choice.

*The health insurance increase in premium is an average 9%, keeping it below double digit, for the past five years. One of the reasons it is greater than the national average of 5% is the cost for a couple of the "outlying" insurers. Before we get too cranked up about this, we want to look at what we are offered compared to what is offered in the "national average" insurance as well as comparing our retired state employee coverage and costs with that for other employees, such as retired local government, who are also covered by a state plan. Another factor is the cost of the legislative initiative concerning Domestic Partnership. There is a difference! The various price schedules are available to look at or download on the ETF site.*

The Trust Fund News has an added SWIB earnings projection. If SWIB earns 10% the Core annuity adjustment will be -3.1% to -3.5% (pg 3). As stated previously a SWIB earnings of 27.9% to 30.7% is needed to avoid a negative adjustment.

The ETF website has a video, Canceled Variable Participation, which provides an excellent explanation of participant options. ETF has added videos on Medicare and WRS insurance.

Annuity payment statements are accurate and have the "original" or finalized amount. Also, tax changes in May (reduced) and again in July (increased) have an explanation on the statements. Any time you receive an annuity payment statement there has been a change. No change no statement.

ETF offices will be closed for two furlough dates on October 12 and the day after Thanksgiving.

**LEGISLATIVE REPORT:** (None) The following was provided by Sari King from the ETF Board meeting 9/17/09 and summarized by the WCOA Secretary.

Wisconsin Act 28, the 2009-2011 biennial budget, has provisions directly affecting the ETF and the WRS. The summary is posted on ETF's website, for WRS employers and members.

SB 88, and its companion AB 126, would create a program that would allow employees to purchase creditable service for all years of active military service subject to certain conditions. The

Assembly Committee on Veterans and Military Affairs held a public hearing on AB 126 on April 15, 2009. No further action has been taken.

2009 AB 199 would classify as protective employees of the Parole Commission; psychologists and corrections classification specialists employed by Corrections who perform duties related to sexually violent person commitments; clerical employees employed at probation, extended supervision and parole offices and state employees who are employed at state correctional institutions, juvenile correctional facilities, the mental health institutes at Mendota and Winnebago, the Wisconsin Resource Center, and secure mental health units or facilities for sexually violent persons. This bill has been referred to the Assembly Committee on Courts and Corrections.

2009 AB 337 provides that a participating WRS employer who is subject to the Municipal Employment Relations Act (MERA) may not pay, on behalf of any employee who first becomes a participating employee on or after the bill's effective date, the first 3% of earnings of an employee's required contribution. Employers covered by MERA generally include any city, county, village, town, metropolitan sewerage district, school district, family care district, or any other political subdivision of the state, or instrumentality of one or more political subdivisions of the state. This bill has been referred to the Assembly Committee on Urban and Local Affairs.

Variable Fund, a bill to close the Variable Fund to new enrollees has not been introduced. Discussions have been held with Senator Wirch and Representative Hubler, the co-chairs of the Joint Survey Committee on Retirement Systems, about introducing a bill.

**OLD BUSINESS: Annual Conference Committee** - The Chair appointed a Committee. Jack Stoddard will be the Chair along with Dwayne Rohweder, Ann Wallace and the Board. A date of May 19, 2010 was suggested and any organization conflicts should be emailed to the secretary. The Treasurer reports a checkbook balance of \$5,056.34 as of 9/8/09.

**Annuitant Roundtable** - With the termination of the ART those participants that do not participate in the WCOA will be invited to the monthly WCOA meetings as guests with no voting privileges. The Secretary will email those that received an email from Mr. Stella on 7/17/09 and invite them to the WCOA meetings.

**NEW BUSINESS: Dental Insurance** - Ed Frank reviewed the history of his involvement in obtaining dental insurance for retirees. Some retirees who were in Anthem DentalBlue were informed they were not covered. Ameritas is the second provider available through WREA. For more information see the article in the September Trust Fund News, page 10.

**WCOA Elections** - Nominations to Secretary by October meeting. Chair, Vice Chair and Secretary have agreed to be nominated. We need to have someone to be nominated as Treasurer. From the By-Laws: (D) DUTIES OF THE TREASURER shall be to act as custodian of the funds of the Coalition, to collect fees from member organizations and perform financial transactions for the annual conference, and to provide supervision over the financial affairs of the Coalition. The Coalition Directors are authorized to require and provide bonding for the Treasurer. The Treasurer shall prepare timely financial reports for the executive committee and the Coalition Directors, provide for financial audits and report to the annual conference and any other time at the request of the executive committee or the Coalition Directors.

**MSC - An honorarium be given to the WCOA Secretary in the amount of \$150.**

**NEXT MEETING: October 21, 2009 9:30 am, SWIB Office 121 East Wilson Street, Madison.**

The meeting adjourned at 11:15am

Respectfully submitted – Dick Kratz